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7AG  
DECEMBER 1967

Vol. 51, No. 12

Statistical Reporting Service  
U.S. Department of Agriculture

# Agricultural Situation

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

JAN 15 1968



HOW IS  
FARMING  
LIKELY  
TO FARE  
IN THE  
NEW YEAR?

OUTLOOK FOR  
SUPPLIES,  
DEMAND,  
INCOME ~~X~~  
SPECIAL THIS ISSUE

# OUTLOOK

## ECONOMY STRONGER, EXPORTS UNCHANGED

## RISING COSTS TO OFFSET INCREASE IN GROSS INCOME

Further growth in domestic demand for farm products and little change in exports are in prospect for 1968. The generally lower level of prices for grains and soybeans in the 1967-68 marketing year is expected to increase utilization. However, use of the large 1967-68 grain and soybean crops will probably fall short of indicated production, resulting in some stock accumulation by the end of the marketing season. But another sizable reduction in cotton carryover stocks is in prospect as utilization greatly exceeds the small 1967 crop.

To adjust output more closely to expected demand, program changes have been announced for wheat, corn, grain sorghum, and cotton. The 1968 wheat program reduces the national acreage allotment from 68 to 59 million acres for the 1968 crop. The 1968 feed grain program is designed to encourage smaller plantings of corn and sorghum grains. As a result, acreage planted to grains may total nearly 10 percent less than this year. On the other hand, the 1968 cotton program has been designed to expand production to about annual disappearance of 13 to 14 million bales.

Prospective increases in economic activity, employment, and wage rates point to a continued rise in disposable income, although higher taxes would be a moderating factor. With prospects for rising incomes and higher prices, expenditures for food will likely total some 3 to 5 percent higher in 1968, about in line with the indicated increase for 1967. However, the percent of income spent for food will probably average fractionally below the 17.7 percent estimated this year.

Agricultural exports in 1967-68 may change little from the \$6.8 billion in 1966-67. Lower farm product prices in the current marketing year should improve the competitive position of U.S. exports, particularly of grains and soybeans. However, lower prices may largely offset the effect of an increase in volume on the value of exports. Larger exports are in prospect for soybeans, rice, vegetable oil, and corn. Exports of cotton and wheat in 1967-68 are expected to change little from the previous season. Prospects for U.S. tobacco exports remain uncertain because of the political situation in Rhodesia, but may be moderately below last year's high level. Exports of fresh and processed fruits in 1967-68 will likely run below year-earlier levels, reflecting smaller domestic production.

Realized gross farm income next year probably will be record high, about \$50 billion, and around a billion dollars higher than in 1967. Production expenses also will likely rise; the increase in prospects for next year may about offset the increase in realized gross income. So, realized net farm income in 1968 may change little from the 1967 level—slightly below \$15 billion.

**Income:** Cash receipts from farm marketings in 1968 may be up about 2 percent from 1967, due mainly to a prospective increase in average prices for livestock and livestock products and a larger volume of marketings of crops carried over from bumper 1967 crops. Furthermore, cotton marketings next year will likely be up sharply from the abnormally small marketings in 1967.

Direct Government payments to farmers next year are likely to rise moderately, as an expected increase in diversion payments under the 1968 feed grain program probably will

more than offset an anticipated small drop in cotton program payments.

Due to declining farm numbers, realized net farm income per farm will likely be higher than in 1967. The per capita disposable income of farm people from all sources probably will be somewhat higher too. Some improvement will occur in per capita disposable income from farm sources. And, per capita income from nonfarm sources is also expected to be better next year with the economy operating at a high level.

**Expenses:** For the second straight year farm production expenses in all probability will rise by at least a billion dollars. Such overhead items as taxes, interest, and depreciation charges will be up sharply from 1967. Prices paid by farmers for production items of nonfarm origin will likely continue their persistent rise next year. Some increase in usage of feed and fertilizer appears likely in 1968. The trend toward fewer hired workers will probably continue but higher wage rates will be largely offsetting.

Livestock producers will likely turn out about the same amount of red meat next year as they have in 1967. Fed beef production probably will be larger and may about offset a further decline in cow slaughter. The relationship between hog prices and corn prices probably will encourage large output of pork next year. Reduced lamb and veal production is in prospect for 1968, due to smaller lamb and dairy calf crops.

**Cattle:** Fed cattle marketings during the rest of this fall and through winter likely will continue above a year earlier. The number of cattle on feed at the beginning of 1968 probably will be as large or larger than it was last January, and a continued large supply of feeder cattle will be available for feedlots.

With marketings of fed cattle expected to be a little above year-earlier levels and continued strong consumer demand, fed cattle prices next winter probably will average near fall levels, but above the January-March 1967 average of \$25 per hundredweight for Choice steers at Chicago.

Some price weakness could develop in late winter and spring, with spring prices of fed cattle averaging moderately below fall and winter levels. On October 1 there were considerably more cattle on feed than a year earlier in weight groups that will supply a large part of late winter and spring marketings.

Fed cattle marketings in the second half of 1968 probably will remain at a high level. But any increase over a year earlier is expected to be small. For the entire year, fed cattle marketings will be larger than in 1967.

Cow slaughter in 1968 probably will run moderately smaller than in 1967, since beef herds likely will be expanded and culling of dairy herds may be a little lighter.

**Hogs:** Hog slaughter this fall has been moderately larger than a year earlier. The increase over last year's rates probably will diminish later in the fall, and in the first half of 1968 hog slaughter likely will run around year-earlier levels. However, slaughter supplies may increase somewhat in the second half of 1968. Feed supplies are large and feed prices will be lower than a year earlier, at least through mid-

## LIVESTOCK



year. Thus, producers may have more sows farrow during the winter and spring than in these months last season.

This fall, hog prices have declined as slaughter has increased seasonally. In mid-November, prices of barrows and gilts at eight markets averaged about \$17.25 per hundred-weight, about \$3 less than a year earlier. Hog prices next winter will likely average around the January-March 1967 average of \$19.10. Prices in the second half of next year will depend largely on how many sows farrow next winter and spring. If these farrowings are up significantly, hog prices in the fall of 1968 will average substantially below prices this fall.

**Lambs:** Lamb slaughter supplies this fall and winter likely will be smaller than a year earlier. Lamb slaughter is expected to continue below last year's levels through 1968, due to a continuation of the decline in sheep numbers.

Choice slaughter lambs at San Angelo averaged \$22.50 per hundredweight in mid-November. A stronger market is in prospect for late fall and winter, and prices next year are expected to be above 1967 levels, reflecting smaller slaughter supplies.



With little change foreseen in milk prices and production in 1968, farm sales of milk and cream will likely remain near this year's record cash receipts of \$5.8 billion.

Prices farmers are receiving for milk this fall are running slightly below peak levels of a year ago. But for 1967 as a whole, prices may average \$5 per 100 pounds, a record high.

If current price support and Federal milk marketing order price levels continue next year, average prices farmers receive for milk in 1968 are apt to be about like those of 1967.

**Output:** Even though milk cow numbers will continue downward in 1968, milk production is likely to total near the 119.5-120 billion pounds in prospect for 1967.

The decline in milk cow population is expected to continue near this year's rate of 4 percent. A continued firm beef cattle market and favorable off-farm opportunities will encourage cow culling and sale of dairy herds.

Offsetting this trend is a likely gain in output per cow. This year, the indicated yield per cow is 8,810 pounds of milk, 3.5 percent more than in 1966. The higher yield expected will result partly from increased feeding. Feed supplies are large, and feed prices will average below those of recent years.

**Use:** Commercial disappearance of milk in all products in 1968 may increase, since population and personal incomes are rising and retail dairy prices are expected to change little. Larger retail sales of dairy products and larger purchases by the CCC for donation programs are expected to contribute to the increased use of milk next year. Exports of U.S. dairy products declined sharply in 1967, and will likely continue at low levels next year. Dairy product imports in 1968 will be limited by the quotas which went into effect June 30.

End of year stocks of dairy products in 1967 will be the highest since 1963. Due to increased Government holdings, stocks are expected to total more than 8 billion pounds, compared with 4.8 billion a year earlier.



**Eggs:** Producers will probably cut back egg production in 1968 in response to the relatively low egg prices and the higher production costs of this year. But not all this cutback will come at once. Output of eggs during 1968 will likely run slightly above 1967 levels in the first half, but production after midyear may drop below year-earlier levels.

Prices to producers in the first half of 1968 will likely average below the 32 cents received during the first half of 1967. If production is cut back as expected next year, prices later in 1968 may average slightly above prices in the last half of this year.

**Broilers:** Broiler production is expected to continue increasing in 1968, but not as much as it has in 1967. Chick placements and eggs set in October indicate broiler production by the end of the year will be running below a year earlier.

Recent trends indicate the broiler hatchery supply flock will be reduced and by mid-1968 will total well below a year earlier. A smaller hatchery supply flock would tend to ease the pressure to expand broiler production. Since production of the hatchery supply flock can be diverted to table eggs or processing, the prospective smaller flock would still provide the capacity for a substantial increase in production. Thus, an upturn in production is likely in 1968 if red meat prices hold up in the coming year.

Broiler prices next year may average a little higher than in 1967. Prices in the early months of 1968 are expected to be around levels of a year earlier. But later they may rise moderately above the relatively low levels of 1967.

**Turkeys:** Fewer turkeys may be raised in 1968 than the record number of 1967. Although feed costs are expected to be lower, the relatively low prices received by producers in 1967 may lead to some cutback.

Turkey breeder flock owners in 15 important turkey growing States indicated their intentions in October to keep 11 percent fewer turkey breeder hens for the 1968 hatching season than in 1967, reducing heavy breed hens by 10 percent and light breed hens by 18 percent. While this survey is an important early indicator of the number of turkeys raised the following year, intentions and final actions may differ.

So far, poult hatched for marketing early next year are totaling above 1967 levels. Live turkey prices are expected to be slightly lower early in 1968 than in the previous year. But if there is a reduction in output as expected for the main marketing period, prices for the year may average a little above 1967.

Cold storage holdings of turkeys carried into 1968 are expected to be bigger than the relatively large amount carried into 1967.

The total feed grain supply for 1967-68 is estimated at 212 million tons, about 6 percent larger than last year. The 37 million ton carryover was 5 million less than last year, but the 1967 crop, estimated in November at 175 million tons, was 18 million tons larger.

Domestic consumption is expected to be a little larger than in 1966-67, since more favorable livestock-feed price ratios are expected to result in heavier feeding per animal unit. Exports may change little from 1966-67, since U.S. feed grains will continue to meet with competition from the larger crops in Europe and in surplus producing countries.



A larger carryover is in prospect for the end of 1967-68. The large "free" carryover stocks and the record 1967 crop have resulted in a sharp decline in feed grain prices since last spring. October feed grain prices averaged 15 percent below last year and they probably will continue well below a year earlier during the fall and winter. With prospects for heavier domestic use and larger quantities placed under price support, a seasonal rise in prices seems probable later in the marketing year.

**Corn:** The 1967-68 corn supply was estimated in November at 5,514 million bushels, 570 million bushels larger than in 1966-67. The corn crop, estimated at 4,696 million bushels, is nearly 600 million above the previous record crop of 1966. Total disappearance is expected to be somewhat below production this year; and an increase in carryover of around 200 to 250 million bushels appears probable at the close of the 1967-68 marketing year.

**Sorghum Grain:** The total supply of sorghum grain for 1967-68 is estimated at 1,020 million bushels, 8 percent less than in 1966-67. Production, which increased 3 percent this year, to a record high of 775 million bushels, was more than offset by a 146 million bushel reduction in carryover. Total utilization probably will decline from last year's high level, although it may about equal the 1967 crop. This would leave the carryover at the close of 1967-68 near the 245 million bushels carried over on October 1 this year.

**Oats:** The oat supply dropped another 3 percent this year to 1,080 million bushels, the smallest supply since 1936. The 1967 crop is estimated at 806 million bushels, slightly larger than a year earlier.

**Barley:** The barley supply for 1967-68, estimated at 501 million bushels, is practically the same as in the 2 preceding years. The 1967 crop of 373 million bushels will provide about the same quantity for utilization as in 1966-67 and leave a carryover at the close of 1967-68 of a little over 100 million bushels, or about the same as in the past 2 or 3 years.

**WHEAT**



The 1967 wheat crop, estimated at over 1.5 billion bushels, more than offsets the unusually small carryover, and provides the first increase in U.S. wheat supplies since 1960-61. The total supply for 1967-68 of slightly less than 2 billion bushels is about 7 percent larger than a year earlier.

The season average price per bushel for 1967-68 is likely to be somewhat lower than last year's average of \$1.63, but will remain above the loan level. The national average loan rate for the 1967 crop continued at \$1.25 per bushel, as in the previous 2 years.

Total disappearance in 1967-68 is likely to be somewhat larger than the 1,421 million bushels in 1966-67. Domestic disappearance may account for most of the increase, with use of wheat for feed expanding from the 93 million bushels fed last year. Exports during the current year have gotten off to a slower start than in 1966-67. However, a 1967-68 export target has been set for 750 million bushels; 742 million were exported in 1966-67.

Based on these indications of use, the carryover next June 30 will likely be somewhat larger than the 426 million bushels carried over this past year, possibly by as much as 100 million bushels.

The U.S. rice supply in 1967-68 will reach nearly 100 million cwt. (rough rice basis), a new record high. The 1967 crop, based on indications in November, totaled 89.4 million cwt., and the August 1 carryover of 8.5 million cwt. was about the same as a year earlier.

Domestic food use, totaling a record high 24.6 million cwt. in 1966-67, is likely to remain at a high level in 1967-68. Brewers' use of milled rice in the past year was the highest since 1955-56. Total domestic disappearance in 1967-68 is likely to be about the same as the 32.5 million cwt. of 1966-67.

The supply of rice available for export and carryover in 1967-68 is expected to be around 65 million cwt., over 5 percent more than last year. But, with rice output down in the exporting countries of Asia, another good export year is in sight for American rice.

The U.S. supply of edible fats, oils, and oilseeds in 1967-68 will be around 19 billion pounds (oil equivalent of oilseeds), compared with 17.5 billion for the marketing year ended September 30. With abundant supplies of most oilseeds and peanuts, farm prices in 1967-68 will likely average near support levels and below a year ago.

**Soybeans:** The 1967-68 supply of soybeans is estimated at nearly 1.1 billion bushels, 11 percent more than last year. Prices to farmers during the current harvesting season are averaging a little under the national support rate of \$2.50 per bushel, and about a 10th below the fall of 1966. Later in the season prices are expected to return to loan level and likely will average around support in coming months.

Soybean crushings for the 1967-68 marketing year that started September 1, may reach as high as 600 million bushels, compared with 551 million in 1966-67. Soybean exports may rise to 280-300 million bushels, compared with 257 million in 1966-67, with lower prices strengthening the export prospects. Even so, a further buildup in soybean stocks is likely. Stocks next September may total around 1½ times the 91 million bushels this year. Also, unless total edible vegetable oil exports exceed the 1.2 billion pounds exported in 1966-67, some buildup in oil inventories may occur.

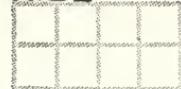
**Fats and Oils:** Cottonseed oil output in 1967-68 is forecast at 1 billion pounds, compared with 1.3 billion last year; prices are expected to average lower than last year and about 2 cents per pound above soybean oil.

Lard output in the year started October 1 is expected to total close to the 2.1 billion pounds of last year, although prices will probably average lower than last year.

Creamery butter production is expected to be down slightly from the 1.2 billion pounds produced in the year ended October 1. However, total supplies will probably be greater due to heavier carryover stocks this October 1. Flaxseed supplies in the year started July 1 are estimated to be one-fourth lower than last year. Total use will likely leave about a 5-million bushel carryover on July 1, 1968, compared with 9 million on the same date this year.

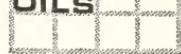
**Peanuts:** Peanut supplies for the year started August 1 are estimated at a record 2.9 billion pounds, nearly 3 percent over last year. Prices to peanut growers will likely average near the support price of 11.35 cents per pound.

## RICE



## FATS AND

### OILS



## VEGETABLES



In 1968, demand for fresh and processed vegetables is expected to continue strong. Prices for individual fresh crops, as always, will be greatly affected by volume and quality of production, and timing of harvests.

Supplies of canned vegetables during the 1967-68 marketing season are moderately larger than the tight supplies of last season. Aggregate carryover at the start of the season was down 7 percent from a year earlier, but the total pack was substantially larger this year than last.

Estimates for nine crops, which account for nearly all of the total processing vegetable tonnage (canned and frozen) indicate a production 11 percent larger than in 1966, and 18 percent above the 1961-65 average. Total supplies of frozen vegetables also appear to be moderately larger than last season, and record high. For the whole season, wholesale prices of processed vegetables are expected to average slightly lower than last season.

The fall potato crop was estimated at 231 million hundred-weight as of November 1. This was 1 percent above last year. Prices this fall have averaged materially lower than last year, and are expected to remain low this winter. Sweetpotato production is estimated about the same as last year.

## FRUITS



Supplies of fruits available for marketing from now until harvest of 1968 crops are much smaller than a year earlier. Reflecting this situation, and generally strong demand, seasonal prices of most 1967 fruit crops have been higher than last season. Prices for oranges, plums, and strawberries have been running under 1966 levels.

**Noncitrus:** Noncitrus fruit production in 1967 was 14 percent below both last year and average. The effect of this reduction will be evident in both fresh and processed markets in coming months. Many summer marketed fresh fruits shared in the reduction. But apples, pears, and grapes—the principal fresh noncitrus fruits stored for later marketing—are all in shorter supply than a year earlier.

The aggregate pack of noncitrus fruits is expected to be down substantially from 1966. The 1967-68 pack of frozen fruits and berries may be about the same as in the preceding season, and none of the major items is likely to be in exceptionally large supply.

**Citrus:** Citrus fruit supplies in the season just beginning are likely to be sharply below the burdensome quantities available for marketing in 1966-67. November 1 prospects were for a crop—excluding California's Valencia oranges, and "other" grapefruit—28 percent below last season.

Output of canned and frozen citrus products in 1967-68 is likely to fall short of last season's record. However, packers' stocks of processed items are heavy and supplies will be ample.

Total U.S. exports of fresh and processed fruits in 1967-68 are expected to be down from the 1966-67 volume. While foreign market demand continues to expand, this year's reduction in domestic supplies and attendant higher prices will have an adverse effect on U.S. exports.

**Nuts:** Edible tree nut production is expected to be about equal to last year's and slightly above average. A 25-percent increase in pecan output is expected to about offset a moderate decrease in almond production and sharp reductions in walnut and filbert tonnages.

Supplies of the big-volume cigarette tobaccos—Flue-cured and burley—have been reduced from the peak levels of 1964–65. Supplies of several other kinds have also been adjusted toward a better balance with requirements.

The 1967–68 total supply of Flue-cured is about the same as in 1966–67, but 6 percent below the 1964–65 level. Marketings from the 1967 crop are estimated at 15 percent larger than in 1966, the increase offsetting a reduction of 7 percent in carryover stocks.

The burley supply for 1967–68 is 2 percent below the previous year and 5 percent below the 1964–65 record. The October 1 carryover was slightly smaller than a year earlier, and the crop was indicated to be 5 percent under the level of the previous 2 years. Supplies of nearly all other types of U.S. tobacco will be smaller in 1967–68.

**Consumption:** Use of cigarettes by U.S. smokers in 1967 is estimated to have been record large. A further modest increase in total cigarette consumption in 1968 appears likely. The downtrend in cigar consumption from the 1964 peak is expected to level out.

The 1967 cotton crop was estimated at 7.9 million running bales, as of November 1. This is around 1.5 million bales less than last year and almost 7.0 million below the 1965 crop.

The drop in production this year and continued relatively large disappearance point to another significant reduction in U.S. cotton stocks. By next August, stocks of all kinds of cotton may fall to around 6 3/4 million bales. This would be around 5 1/2 million bales below last August and more than 10 million bales below record-high stocks of nearly 17 million bales on August 1, 1966.

**Mill use:** Mill consumption for the full crop year is estimated at a little over 9 million bales. Prospects for mill consumption in 1967–68 have not changed in recent months. The rate of use has remained well below year-earlier levels. However, the ratio of mill inventories of cotton fabric to unfilled orders appears to have reached a peak in recent months, indicating a possible upturn in the rate of cotton use late in 1967 or early next year.

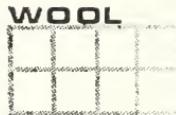
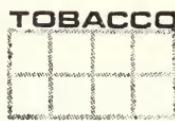
U.S. exports of cotton this year are expected to total around the 1966–67 level of 4.7 million bales. Little change is expected in U.S. exports, since expanded production in foreign countries may be largely offset by the prospective gains in mill consumption.

U.S. shorn wool production in 1968 is expected to be slightly smaller than the 189 million pounds, grease basis, produced this year. The prospect for a smaller wool clip is based on reduced sheep numbers during 1967.

Domestic output is declining, but world wool production is headed for a record. World production is forecast to increase moderately during 1967 to a new high of 3,437 million pounds, clean basis.

The average price paid to U.S. growers for shorn wool fell by about 10 cents in 1967 to an estimated 42 cents a pound for the year. In 1968, average prices are expected to stay near this level.

Use of raw wool by fabric mills fell by an estimated 10 to 12 percent this year. However, economists foresee mills using up to 10 percent more raw apparel wool in 1968.



# NEW PARITY CONCEPT INDICATES MOST

Parity has been an issue of such importance that various definitions of the concept have been written into U.S. laws dealing with agriculture. The Agricultural Adjustment Act of 1933 formulated parity prices. From that time on, economists have been seeking ways effectively to measure the farmer's parity position.

*Parity prices* tell us the amount of purchasing power per unit (bushel or pound) the sale of today's commodities brings the farmer, compared with the base period, 1910-14.

*Parity income* was written into law several years later. Twice re-defined, the latest version was contained in the Agricultural Act of 1948. It was held to be the gross income a farm family needs for a living standard like that of non-farm families.

In 1965, when Congress passed the Food and Agriculture Act, it requested an evaluation of the parity income position of commercial farm families. USDA economists undertook to fulfill this request.

They reported that realized net income is still the best single indicator available to measure the well-being of farm families. No single parity income index could express the variations in income within agriculture.

A new concept—*parity returns*—was developed to put farm income in broad perspective, and allow comparison among farming's many sectors.

(Unlike the earlier parity price or income formulas, this concept—the result of an exploratory study—has no legal status.) The formula simulates alternative income opportunities for farm families—in farming and elsewhere in the economy.

The concept of parity returns recognizes that the income possibilities of a family unit depend on its resources. For a single family, these are defined as the value of equity in the farm plus the skills which the farm operator and unpaid family workers could offer on the job market. For groups of farmers, average assets are used. The age, sex, and education of working family members are taken into account since these factors indicate likely wage levels.

The effect of parity returns is to *gage the performance* of resources used in

farming by farm operators, relative to the returns likely if those resources were invested in other markets for money and labor. Remember that comparisons based on averages don't reflect directly the circumstances of any individual, and that the study is not recommending alternative occupations to farming.

Let's see how the parity returns concept applied to the average financial condition on all U.S. farms in 1966:

*Income from farming.* In 1966 the average farmer had an equity of \$44,200; sales of \$14,300; gross farm income \$15,300, including Government payments and nonmoney income. After paying production expenses, he had a realized net farm income of \$5,000. No nonfarm income was included.

Then too, farmers received potential income in 1966, as land values rose at a rate of 4.9 percent. Adding this increase in equity (capital gain) to the net income, total returns from farming averaged about \$7,100.

*Other income opportunities.* Realized net farm income was compared with the average returns (alone and with capital gains) from renting farmland and from investing in common stocks. In other words, it's assumed a farmer might rent his farm to someone else, or sell it and invest in stocks. The farmer takes about the same risk in either case as continuing to farm.

The average return to landlords for farmland rented last year was 5.7 percent of current value of the real estate. With the \$44,200 equity, landlords could have averaged \$2,500 in income, or \$5,200 including their capital gain.

The dividends on 500 common stocks last year averaged 3.4 percent. With a comparable equity of \$44,200 in stocks, investors might have realized \$1,500 in dividends, or \$4,900 if the increase in stock values last year is included.

To these alternative returns, the parity formula adds money which the farmer would get if he and his unpaid family help went to work in nonfarm jobs. Last year, nonfarm jobs would have brought home an additional \$3,800.

The amount is based on average city wages received by people with the same age, sex, and educational status as

# FARMERS STILL IN CATCH-UP STATUS

members of the average farm family, and working the same number of hours as farm work would require.

**How they compare.** Excluding income from a farm's capital gain, the average return of \$5,000 to the farmer last year represented:

—81 percent of the projected income from renting the farmland plus family wages;

—96 percent of the income from stocks plus family wages.

With the capital-gain value added to both farm income and the nonfarm alternatives, the returns to farming were:

—79 percent of landlord returns plus family wages;

—82 percent of stockholder returns plus family wages.

On the average, then, farmers in 1966 were approaching but not equaling the income they might have gained in the other ways considered. Compared with 7 or even 2 years earlier, however, the overall parity picture was much improved.

*Economic Research Service*

## RETURNS BY SALES CLASS COMPARED

The resources employed by farmers are greater than those of most other people. Besides the farm family's skills and capacity for work, they have an equity in the farm. That equity has grown more valuable for most farms as land values have risen.

Greater resources, however, do not mean larger than average returns for all farm families. The parity returns formula, which compares the returns from farming with other investments and occupations, helps to show why this is so.

As a group, farmers who sold over \$20,000 worth of farm products last year, according to the parity returns concept, probably netted more through farming than their capital and labor would have earned, on the average, in other ways. But the reverse was true for the class of farms which had average sales of less than \$20,000.

To get an idea how these comparisons were made, look at the parity returns formula in general, and the way

it worked out by size of farm in 1966.

Parity returns compare the income from farming—with and without the capital gain in equity—to the income likely if:

—an average equity is invested in common stocks, with the dividends equal to the average of 500 representative companies, or

—farmland is rented out, and

—a farm family spends the time now required for farming at work in non-farm jobs in an urban area.

Here's how the returns from farming in 1966 compared with these other options for farms with different sales volumes:

**Over \$20,000.** The 527,000 farmers in this sales class made 107 to 167 percent of the other income alternatives in 1966, depending on the standard used.

For example, net farm income in this category averaged \$17,500 while income under the stockholder standard was estimated at \$10,500, including both dividends and family wages. With capital gains added, returns to farming were \$23,900, compared with total returns of \$21,200 to stockholder assets, \$22,300 to landlord assets.

**\$10-20,000.** Last year, 510,000 farmers had sales within this range. Their returns averaged 81 to 98 percent of the standards. Net farm incomes averaged \$6,900; capital gains on equity averaged \$1,500.

**\$5-10,000.** This category applied to 446,000 farm operators last year. They received from 62 to 70 percent of the parity standards. The average return from cash receipts, Government payments, and capital gain: \$5,500.

**Under \$5,000.** The parity returns formula highlights a problem faced by 1,759,000 farmers who sold under \$5,000 in farm products in 1966.

The average returns from farming and capital gains combined, \$1,900, was only 43 percent of the landlord or stockholder standards.

This disparity of incomes for the large number of farm operators in the lowest sales class was modified somewhat, however, by the fact that off-farm sources of income added an average of \$3,400—or more money than made from farming.

# Hazardous Jobs for the Young Worker

**ITEM:** According to National Safety Council figures, death rates for agricultural workers are exceeded only by those for miners and construction workers. The agricultural revolution, having mechanized the farm and increased the use of chemicals, has added to the number of hazards.

**ITEM:** Best estimates indicate that there are about 600,000 paid farmworkers under 16. This group comprises about one-fifth of the total hired farm work force.

**ITEM:** Young workers are not immune to accidents. A recent Department of Labor study covering only seven States, and incomplete even in those seven, showed nearly 4,000 injuries in 2 years to farmworkers from 10 to 17 years old.

**ACTION:** In response to the problem of hazards to young farmworkers, Congress last year instructed the Department of Labor to determine which farm occupations are hazardous for workers under 16 years of age.

The Department of Labor has recently issued the results of that request, a hazardous occupations order listing 16 such occupations, to become effective January 1, 1968. The order is an interim one pending further study of occupational hazards for youth in agriculture.

The order affects few farm jobs customarily performed by persons under 16. Unaffected are such jobs as milking, processing dairy products, raising chickens, operating garden-type tractors, loading or unloading trucks, or the like.

Also unaffected are children working on the family farm. Anyone under 16 is permitted to perform any farm occupation if he is employed by his parents or by someone standing in place of his parents on farms owned or operated by them.

Another exempted group are students enrolled in vocational education programs.

Here are the 16 farm occupations declared particularly hazardous by the order, and prohibited to persons under 16 years of age:

(1) Handling or applying anhydrous ammonia, organic arsenical herbicides,

organic phosphate pesticides, halogenated hydrocarbon pesticides, or heavy-metal fungicides, including cleaning or decontaminating equipment used in application or mixing of such chemicals.

(2) Handling or using a blasting agent, such as dynamite, black powder, sensitized ammonium nitrate, blasting caps, and primer cord.

(3) Serving as flagman for aircraft.

(4) Working as driver of a truck or automobile on a public road or highway or driver of a bus.

(5) Operating, driving, or riding on a tractor over 20-belt horsepower, or attaching or detaching an implement or power-take-off unit while the motor is running.

(6) Operating or riding on self-unloading bunk feeder wagons and trailers, self-unloading forage box wagons and trailers, or self-unloading auger wagons and trailers.

(7) Operating or riding on a dump wagon, hoist wagon, forklift, rotary tiller (except walking type), or power-driven earthmoving or trenching equipment.

(8) Operating or unclogging a power-driven combine, field baler, hay conditioner, corn picker, forage harvester, or vegetable harvester.

(9) Operating, feeding, or unclogging any of the following machines when power driven: Stationary baler, thresher, huller, feed grinder, chopper, silo filler, or crop dryer.

(10) Feeding materials into or unclogging a roughage blower or auger conveyor.

(11) Operating a power-driven post-hole digger or power-driven driver.

(12) Operating, adjusting, or cleaning a power-driven saw.

(13) Felling, bucking, skidding, loading, or unloading timber with a butt diameter of more than 6 inches.

(14) Working from a ladder or scaffold at a height over 20 feet.

(15) Working inside a gas-tight type fruit enclosure, gas-tight type grain enclosure or gas-tight type forage enclosure, or inside a silo when a top unloading device is in operating position.

(16) Working in a yard, pen, or stall occupied by a dairy bull, boar, or stud horse.

# Farm Equipment Makers Classified

## Third in a series On input suppliers

American farmers have always been quick to use new machines and methods to make work more efficient—a fact Cyrus McCormick and John Deere capitalized on early in the last century. Later the American farm was equipped with machines such as the barrel churn, horse-drawn binder, and hand-cranked feed grinders and apple peelers.

This tradition of inventiveness and adaptation still continues. Today, farmers use machinery to apply pesticides, milk cows, gather eggs and harvest such crops as cotton and tomatoes.

Farm machinery was a \$5 billion business in 1966. Its prime market consists of the almost 1 million commercial farms with annual sales of \$10,000 or more. Operators of these farms buy most of the larger equipment, while smaller and part-time farms provide a market for smaller and used equipment.

Manufacturers of farm equipment may be classified as full-line, long-line, and short-line companies.

A full-line company produces a complete line of tractors, tractor-powered equipment, self-propelled equipment, attachments and other agricultural machines. Seven companies in the U.S. market are classified as full-line.

Long-line companies are smaller and more specialized. However, both these and the full-line companies are much like automobile manufacturers; they have their own dealers who sell directly to farmers.

In contrast, the short-line companies have no such network of dealerships. Their outlets include mail order houses, retail outlets, fertilizer and pesticide distributors, and farm discount stores. The short-line companies produce specialty mechanical and automatic equipment such as that used in the care of livestock and poultry.

Tractor manufacturers—mainly the full-line companies—have been responsible for two-thirds of farm equipment sales. Another 10 percent of the industry's volume has come from 15 long-line concerns.

Buying trends indicate farmers want and buy higher horsepower machines that use cheaper fuel.

In 1956, only 19 percent of the wheel-type (other than garden) tractors shipped were 50 or more horsepower. But last year, 64 percent were 50 or more horsepower and 26 percent were 90 or more horsepower.

Fifty-eight percent of the new tractors sold in 1966 were diesel; nearly half the diesels were 90 or more horsepower.

Recently, transmissions have been about as important as engines in features the farmer considers. Changes in transmissions have increased tractor efficiency, allowing the machines to do more farm jobs. The average number of tractor forward speeds increased from 4.8 to 8.4 between 1947 and 1963.

The outlook for farm machinery manufacturers seems good. Two newer and still-developing categories of machinery usage offer special challenges to manufacturers: The mechanization and automation of materials handling on the farm and the mechanical harvesting of fruits and vegetables.

In addition to using more sophisticated food production equipment, tomorrow's farmer will also use more auxiliary equipment, such as computers and electric controls.

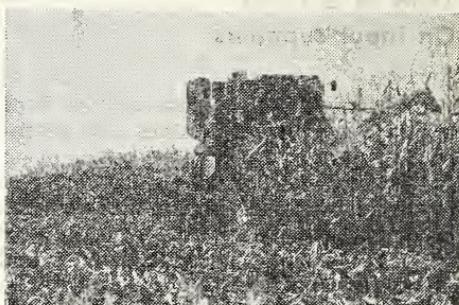
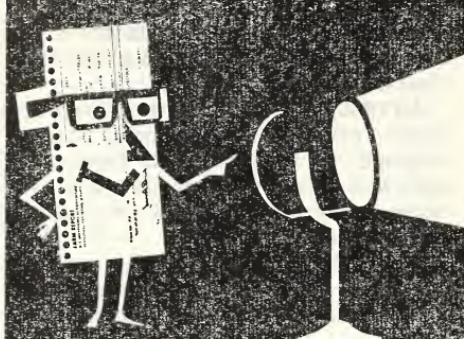
Paul Strickler  
*Economic Research Service*

## COSTLY UPKEEP

The cost of operating and maintaining the \$28-billion inventory of motor vehicles, farm machinery, and equipment on farms in 1966 was about \$7.2 billion—22 percent of total farm production expenses.

This percentage has been fairly constant since 1960 and at a lower level than that prevailing during the 1950's. In 1956 and 1957, for example, 26 percent of the production expenses went to operate and maintain power and machinery.

Since then, expenditures for items such as interest on farm debts, livestock purchases, and property taxes have increased at a faster rate than expenses for the operation of machinery.



You just had to see it to believe it. Maybe you think you have seen good corn crops, but this Illinois thing was something else.

"Record" doesn't come close to describing the situation: A statewide array of unbelievably good corn fields, where folks felt bad if they got only 100 bushels an acre—about the average in Illinois this season.

"No State has ever produced a billion bushels of any crop, to my knowledge," says Robert H. Moats, the SRS statistician in charge of the Illinois Crop Reporting Service office.

"But it looks like we're going to make it easily this year with the corn crop," he adds, with more wonderment than pride in his voice.

The national crop, said the Crop Reporting Board in November, is estimated at a record 4.7 billion bushels. This means Illinois, with about 1.1 billion bushels, will account for nearly 1 out of every 4 bushels produced in 1967.

So you'd think the Illinois corn farmer ought to be pretty happy over things. And he is.

But a crop like this doesn't bring undiluted joy to the countryside. There are more problems in bringing in a really good crop than having to fool with a sorry one.

A farmer harvesting 600 acres near Springfield had this to say:

"The corn's unusually wet this year. We were harvesting corn at 25 percent moisture around the first of November, when it would normally be 18 percent or less. This costs a lot of money to dry plus a lot of money to handle. And storage space is hard to find."

So dollarwise, he's been better off be-

fore. "But this is the best year I've had in yields," he adds.

How good is his best? "On the average, 130 to 140 bushels an acre—this is about average this year for the better farmers in our community." Last year he got only 100 bushels an acre.

What accounted for the big gain in yields this year? The usual yield-raising trends continued, as in the past: Use of improved varieties, more fertilizer, and thicker plant populations.

But the big factor, as always, was the weather. It turned wet and cool this season, upsetting some farmers' conceptions of what makes good growing weather for corn.

As statistician Moats puts it:

"Many people have felt for years that corn needs hot humid weather. I think this is how the farmer could put up with it, saying it was good for his corn."

"That old theory has certainly been disproved because we had below-normal temperatures and very little hot weather last summer. We got an adequate amount of rainfall without any really hot humid weather."

Moats' crop reporting office in Springfield, run cooperatively by USDA's Statistical Reporting Service and the State of Illinois, has been buzzing this year keeping up with the crop.

"When you get such a large crop," he says, "and you're outside the range of any previous estimate, it complicates the job and requires more careful checking to be sure that you get close to the true figure."

And corn isn't the only crop his staff has been extra busy with this season. Illinois farmers this fall have also turned out a record crop of soybeans, and last summer, a record wheat crop.

# SAM STAT SAYS

## "Check My Data"



### A brief roundup

Commercially held peanut stocks were 13 percent above a year earlier on October 31. Frozen vegetables in storage on November 1 amounted to a record 1.8 billion pounds, 36 percent above average. Cold storage meat amounted to 583 million pounds, 74 million more than a year earlier. The number of sheep and lambs on feed November 1 was 2 percent smaller than a year earlier. Sheep and lamb numbers in Texas were up 40 percent from 1966, but were sharply lower in Nebraska and Kansas. Cattle and calves on feed were up 6 percent from November 1, 1966. The U.S. average yield per acre for cotton was indicated at 488 pounds on November 1. Yield was 480 pounds last year, but the 1961-65 average is 491 pounds. The use of commercial fertilizers was up 8 percent in the year ended June 30. Use of mixed fertilizers was up 7 percent over the preceding year.

#### FEED GRAIN STOCKS DOWN

Government stocks of feed grains have been reduced to the lowest level since the Korean war.

Culminating years of declining deliveries to the Commodity Credit Corporation and comparatively heavy sales, CCC-

owned feed grain stocks dropped to 10.2 million tons on October 1. This was 3.2 million tons less than the relatively low level a year earlier.

Government feed grain stocks on October 1, including grain held under loan by farmers, were 18.8 million tons.

Also smaller in the past

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All Articles May Be

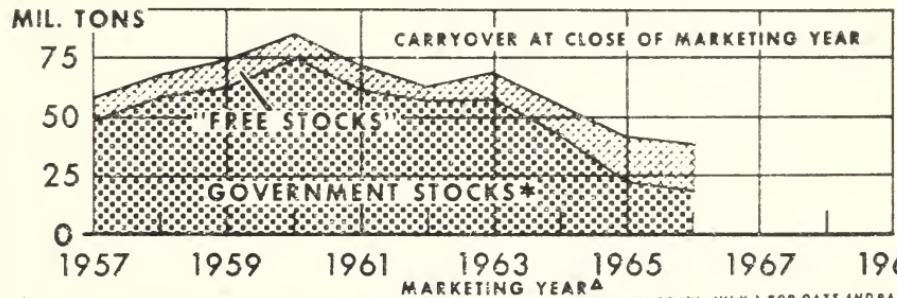
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Editor: Ben Blankenship

year were sales of Government-owned feed grains.

Sales amounted to 3 million tons from October 1966 to September 1967, compared to the 24 million tons sold in the like months of 1965-66.

There were 26 million bushels of corn sold, versus 497 million bushels a year earlier.



\* OWNED BY CCC OR UNDER LOAN. ▲ BEGINNING OCTOBER 1 FOR CORN AND SORGHUM GRAIN; JULY 1 FOR OATS AND BARLEY.

The Agricultural Situation is sent free to crop, livestock, and price reporters in connection with their reporting work.

The Agricultural Situation is a monthly publication of the Statistical Reporting Service, United States Department of Agriculture, Washington, D.C. 20250. The printing of this publication has been approved by the Bureau of the Budget (March 12, 1964). Single copy 5 cents, subscription price 50 cents a year, foreign \$1, payable in check or money order to the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402

UNITED STATES  
DEPARTMENT OF AGRICULTURE

STATISTICAL REPORTING SERVICE  
WASHINGTON, D.C. 20250

OFFICIAL BUSINESS

U.S. GOVERNMENT PRINTING OFFICE: 1967  
POSTAGE AND FEES PAID  
U.S. DEPARTMENT OF AGRICULTURE

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